# LEGISLATIVE SERVICES AGENCY
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## FISCAL IMPACT STATEMENT

**LS 6038** **NOTE PREPARED:** Jan 19, 2006
**BILL NUMBER:** HB 1140 **BILL AMENDED:**

**SUBJECT:** Abatements for Used Indiana Equipment.

**FIRST AUTHOR:** Rep. Leonard **BILL STATUS:** CR Adopted - 1st House
**FIRST SPONSOR:**

**FUNDS AFFECTED:** **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
**FEDERAL**

**Summary of Legislation:** This bill provides that certain equipment installed in an economic revitalization area or a maritime opportunity district after being used in Indiana by a person other than the tax abatement applicant is eligible for tax abatement.

**Effective Date:** January 1, 2006 (retroactive).

**Explanation of State Expenditures:**

**Explanation of State Revenues:** The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for abatements would change the amount received from this tax.

If there is an increase in investment because of the changes in this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the abatement, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the tax rolls.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, only new manufacturing, research and development, and logistic equipment may qualify for property tax abatements. The abatements are available for up to ten years. Beginning with taxes paid in 2007, this proposal would allow local designating bodies to grant abatements on used (as well as new) equipment if the equipment was never used by the applicant in Indiana.

If there is an increase in development because of this proposal, the new property would, at some point, be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment would be made with or without the abatement, an increase in abatements could also cause a delay in the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. In all cases, the granting of an abatement is a local decision.

The impact would depend on the number and value of new abatements that might be granted because of this proposal. The following chart contains the personal property abatements for 1994 to 2004.

**Depreciable Personal Property Abatements**

| Pay Year | Abated AV | %Change | Net Tax Value of Abatements | % Change |
|---|---|---|---|---|
| 1994 | 643,277,144 | | 54,579,109 | |
| 1995 | 516,833,664 | -19.7% | 44,913,061 | -17.7% |
| 1996 | 648,075,160 | 25.4% | 66,760,681 | 48.6% |
| 1997 | 580,118,361 | -10.5% | 49,280,601 | -26.2% |
| 1998 | 536,362,429 | -7.5% | 43,532,906 | -11.7% |
| 1999 | 633,814,998 | 18.2% | 49,989,013 | 14.8% |
| 2000 | 866,194,465 | 36.7% | 70,955,197 | 41.9% |
| 2001 | 1,087,923,070 | 25.6% | 94,062,035 | 32.6% |
| 2002* | 3,526,835,012 | 8.1% | 102,594,325 | 9.1% |
| 2003 | 6,233,443,587 | 76.7% | 154,181,896 | 50.3% |
| 2004 | 4,365,130,805 | -30.0% | 108,660,301 | -29.5% |
| Avg 1994 - 2004 | | 8.5% | | 13.4% |

* Deductions tripled in 2002 when True Tax Value changed from 33 % to 100% of True Tax Value. The growth rate is adjusted for this change.

**State Agencies Affected:** Department of Natural Resources; State Fair Board.

**Local Agencies Affected:** County auditors.

**Information Sources:** Local Government Database; County auditor abstracts.

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